



Which way should I go?

**FOCUSING ON CONDITION NOT DIRECTION
IN FOREX TRADING, part 1**

an article by Forex trader
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When I was a younger man I used to ask the questions, “How is this thing put together?” or “Which way does this go?” I was always taking things apart and putting them back together again. I remember taking some of my grandfather’s antique clocks completely apart to see how they worked. When asked by my family what I was doing my answer was, “I’m cleaning the clock.” ;)

In recent years, I find myself asking the question, “Why?” much more than any other question. It is good to understand HOW something is put together. It is good to see WHAT a thing is made of. In the end the thinker who understands the REASON behind a thing or event, will have the opportunity to make advances beyond those who focus on the basic “how to” questions.

To be sure every trader needs to know how the trading platform works and what are the ways to use the indicators and all the other “how to” curiosities of a beginning trader. Eventually, as the trader matures in his experience, he will need to focus on the REASONS the market reacts this way when such and so happens or why the price typically does this when these conditions are present. Basically, you will find more success in focusing on...

CONDITION NOT DIRECTION.

This is one very BIG REASON why so many forex trader’s do not succeed as they wish they could? There are many things that contribute to failure as there are many things that contribute to success. There are several ways to explain the reason for lack of success by most forex traders. Most traders are focused on WHICH way price is going to go, or HOW many pips price will continue in a direction or WHAT the next signal is to enter a trade. They tend to focus mainly on direction not condition.

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If your trading focuses mainly on direction then in the end all you are doing is chasing price. CHASING PRICE will cause the trader to lose about 60% of the time even if he is good at chasing price. I used to chase price. I cannot say that I am not guilty now of chasing price once in a while, but it only happens once in a while when I am off my game and not focusing on market or price condition

So how does the effective trader learn to focus on CONDITION not direction? Well, know this first that focusing on condition does not come naturally. Your first impulse is that you see the market moving and so you want to move with it. This is a big mistake. You need to know why it is moving. You cannot have very much degree of certainty if you do not know why price will do A if B happens.

I can explain these in greater detail in another article, but briefly here are my steps to getting a hold of market or price conditions.

STEPS TO OBSERVING CONDITIONS:

1. KNOW THE CHARACTERISTICS OF THE PAIR(S) YOU TRADE

The employee who has the edge at work has learned what his boss's characteristics are and what the characteristics of his fellow employee are. Hopefully, he does this not to take advantage, but to learn how to work with them as a team.

The trader must learn the characteristics of the pairs he trades. This is why I limit the pairs I trade to one or two at the most three. You cannot keep updated on a pair without keeping an ongoing focus on how it behaves. This takes time.

KEY: Keep a journal and/or read everything you can get your hands on that describes your favorite pair and how it lives and breathes.

check out www.CurrencyTrader.com for frequent articles on various pairs.

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2. KNOW THE STRONG VS. WEAK SIGNALS YOUR SYSTEM GIVES

There are many systems out there, some good and some not so good. Among the good ones, there are still bad trades entered or exited because traders fail to learn what is a strong signal and what is a weak signal. Price conditions are not always the same everytime a signal is given. This can only be learned by studying the charts. At a later time I may provide examples of this.

KEY: Spend as much time as you can studying the charts in the present and in the past and moving forward. Backtesting might be helpful in some cases, but nothing beats spending time analyzing charts, charts and lots of charts.

3. KNOW HOW THE INDICATORS YOU USE WORK, INSIDE AND OUT

A superficial understanding of how an indicator works will do more harm than good to the trader. There are several worthwhile indicators out there. Some traders dismiss them because they have failed to understand how to use them to the fullest and what the limitations are of each indicator. My favorite indicators are the Moving Average and the Stochastic.

KEY: Find two or three favorite indicators that can consistently give a snapshot of the conditions of a pair at any given time.

4. KNOW WHAT THE DAILY FUNDAMENTAL BIAS IS FOR THE PAIR(S) YOU TRADE.

As much as some traders do not like it, keeping at least one ear open to market buzz is useful and valuable information. I start every trading day with a review of what the talking heads are saying and written. Even if I care little about the details I can get a ZEN of what the "feel" is going to be for the day.

KEY: Read and listen to reliable news sources about current and upcoming market events.

5. KNOW THAT THERE ARE SURPRISES, OR UNPLANNED CONDITIONS, IN THE MARKET.

Need I say more. Forex is not so much a market as what happens.

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